

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6951**

**BILL NUMBER:** SB 309

**NOTE PREPARED:** Jan 31, 2012

**BILL AMENDED:** Jan 26, 2012

**SUBJECT:** Local Purchasing and Public Works Preferences.

**FIRST AUTHOR:** Sen. Hershman

**FIRST SPONSOR:** Rep. Truitt

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) The bill provides that the local Indiana business preference applies to a contract for a purchase made by a political subdivision only if the political subdivision provides that the preference is applicable to the purchase.

It provides that the term "affected county" refers only to an Indiana county.

The bill authorizes the purchase of vehicles for community corrections programs from money in any of the following:

- (1) A county cumulative building fund.
- (2) A county, municipal, or township cumulative capital improvement fund.
- (3) (As a result of cross references) a county or municipal cumulative capital development fund.

It repeals the local Indiana business preference for public works projects.

**Effective Date:** (Amended) Upon passage; July 1, 2012.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) *Business Preference:* The bill will have indeterminate impact

on supply purchases of a local unit of government, potentially decreasing costs. The purchasing preferences are awarded during the evaluation of bids and are a factor in determining who will be awarded contracts. The actual bid price does not change. As a result, a bidder with a bid higher than the lowest price may be accepted. Under the bill, the price preference is applicable only if the political subdivision states in the solicitation for supplies that the preference will apply.

Additionally, the bill clarifies that the local government public works project applies to projects that will cost at least \$150,000, or for a project by a board of aviation commissioners, \$100,000.

Some federal grants do not allow geographic preferences to be considered in solicitation evaluations. By making price preference for supply purchases an option rather than a requirement, locals will have the flexibility to meet federal requirements for funding, if needed.

(Revised) *Purchase or Lease of Community Corrections Vehicles*: The impact of this provision on local expenditures would depend on local action in counties, cities, or towns with a local community correction program, to disburse cumulative building and cumulative capital fund monies for the purposes specified in the bill. This bill would not change any of the thresholds regarding the portions of cumulative fund levies that are subject to the maximum permissible levy. Therefore, the bill allows an additional use of revenue that may be currently collected through these two funds, but it does not grant any additional levy authority.

(See explanations below for more information about the potential expenditure impact to these cumulative funds.)

(Revised) *Cumulative Building Fund (CBF)*: Under current law, a county may establish a CBF to fund the construction, repair, remodeling, enlargement, and equipment of a county jail or juvenile detention center. In addition, Marion County may establish a CBF to acquire motor vehicles for the sheriff's department. There is no maximum tax rate for a county CBF. However, the levy may be limited as explained below.

This bill would permit counties to establish a CBF for the acquisition of vehicles for use in their community corrections program.

(Revised) *Cumulative Capital Improvement (CCI) Fund*: Under current law, a county, city, or town may impose a CCI Fund levy that may be used to:

- Acquire land or rights-of-way to be used for public ways, sidewalks, and sanitary or storm sewers;
- Construct and maintain public ways, sidewalks, and sanitary or storm sewers;
- Acquire a utility or land for the utility;
- Acquire land for parks or recreation;
- Acquire police and fire vehicles;
- Retire bonds issued to acquire or improve properties that would qualify for use of the fund;
- Acquire equipment and nonconsumable property needed for public transportation;
- Acquire public way lighting;
- Acquire, maintain, or repair computer and communications systems, and computer services;
- and
- Purchase police body armor.

The maximum tax rate under current law that a unit may impose for the CCI Fund is \$0.33 per \$100 of

assessed valuation.

In addition to the above current uses of the CCI Fund, this bill would allow a unit to use money in the fund to acquire vehicles for use in their community corrections program.

(Revised) *CBF and CCI Funds*: The levy for a particular taxing unit's cumulative fund may be inside or outside of the maximum levy depending on other factors.

The portion of a cumulative fund levy that does not exceed the 1984 levy for that same cumulative fund is inside of, or counts against, the unit's maximum permissible levy. The sum of all other cumulative fund levies in the unit is outside of the maximum levy to the extent that they don't exceed the maximum amount that the unit could generate from a cumulative capital improvement fund (cities and towns) or a cumulative capital development fund (counties). The remainder of the cumulative fund levies are subject to the maximum permissible levy.

This bill would not change any of the thresholds regarding the portions of cumulative fund levies that are subject to the maximum permissible levy. Therefore, the bill allows an additional use of revenue that may be currently collected through these two funds, but it does not grant any additional levy authority.

(Revised) *Background - Community Correction Programs*: Through 2010, there were 78 out of 92 Indiana counties with an established community correction program (CCP). Programs are designed to divert nonviolent offenders to local facilities other than Department of Correction (DOC) facilities to fulfill sentencing. Overall, CCPs diverted 29,628 nonviolent felons from DOC custody during FY 2010. For FY 2011-2012, state funding requests for 68 CCPs totaled \$37.8 M.

**Explanation of Local Revenues:** (Revised) The bill would not change any of the thresholds regarding the portions of cumulative fund levies that are subject to the maximum permissible levy. Therefore, the bill allows an additional use of revenue that may be currently collected through these two funds, but it does not grant any additional levy authority.

**State Agencies Affected:**

**Local Agencies Affected:** Counties, cities, towns.

**Information Sources:** Tim Brown, Department of Correction.

**Fiscal Analyst:** Karen Firestone, 317-234-2106; Chris Baker, 317-232-9851; Bob Sigalow 317-232-9859.